ABSTRACT

Community currencies are monetary projects carried out to fulfil development goals at the local level: five of them are currently circulating in Kenya. What makes them singular and particularly interesting is that they are not backed by legal tender money, but only by the social capital of the implementing communities. In turn, these communities benefit from this money creation process. Not only such schemes serve local development from an economic point of view, helping in its financing and generating extra liquidity, but they also foster development in the multiple dimensions of the concept, because they tend to be common resources.

This paper draws on a field study conducted on the first Kenyan community currency, the “Bangla-Pesa”, launched in 2013. We first introduce their context of implementation and the way they operate, before to analyse the Bangla-Pesa as a common resource. We finally discuss the relevance and implications of the conceptualisation of monetary commons.
INTRODUCTION

Monetary innovation has been an important feature of the recent period. Many experiments arose and question economic theory as well as development practices in multiple ways. We here focus on a particular type of monetary innovation: complementary currencies (diversely called “local”, “social” or “community” currencies), which are monetary systems developed and implemented by groups from the civil society in order to fulfill community, economic, or territorial projects. By defining and using a secondary medium of exchange, they intend to strengthen a territory, to increase the well-being or the empowerment of its users, or to stimulate or orient economic activities (Blanc 2011). They result from a process of social innovation which aims to “meet the needs or aspirations unmet by the market or the State” (Blanc & Fare 2012). An estimated 5,000 complementary currencies systems exist around the world, more commonly in the North than in the Global South. Considering the potentials of these tools, the Mexico City Declaration For Habitat III on Financing Urban Development recently called for “systematization and scaling-up” of complementary currencies among other solidarity finance mechanisms (United Nations 2016).

Still, the monetary diversity resulting from these innovations is hardly understood by economic theory. If neoclassical economics develop “models of a world that is not ours: a world without money” (Giraud 2014), the economic literature in general sees in money whether a pure market creation (Austrian school, Hayekian principles, free banking, new monetary economics) or a State creation (Chartalist approach, Chicago school, Keynesian and post-Keynesian thought, modern monetary theory). Here appears the classic dichotomy between market and State, which Ostrom and the Bloomingston school allowed to overpass by introducing the “Commons” approach. Money is neither purely market driven nor solely state led, but is primarily a social institution (Aglietta 2016), above all based on trust (Théret 2008). The institutionalist approach to money (Orléan 2007), allows to conceptualise voluntary social movements as potentially creators of money, and on these bases to consider money as a common resource (Dissaux & Fare 2016; Servet 2015a). We will here illustrate this proposition with the case of Kenyan community currencies.

Our discussion is based on data collected during a 4 months field study, which took place from July to October 2015. It was conducted in the community of “Bangladesh”, known as the largest slum in the Mombasa area, on the coastal part of Kenya. The methodologies mobilised include participatory observation and semi-structured interviews, following a socio-economic approach. In the first part of this paper, we introduce the Kenyan community currencies by describing the context in which they are implemented, their aims, and the way they are issued and operate. We then discuss these characteristics as well as our data, and highlight how the use of such currencies can be seen as the institutionalisation of a common resource. Finally, we discuss the relevance of such systems and the implications of the possibility to conceptualise monetary commons for development theories and practices.

I. KENYAN COMMUNITY CURRENCIES: THE MODEL OF THE BANGLA-PESA

In Kenya, 54.80% of the urban population are slum dwellers (UN-Habitat). A slum can be considered as a poverty trap: “a self-perpetuating condition whereby an economy, caught in a vicious circle, suffers from persistent underdevelopment” (Matsuyama 2008). Indeed, such
settings demean the human capital of its inhabitants (because of the lack of basic amenities, sanitation facilities, and following bad health conditions affecting children education), limit opportunities and investment incentives (because of weak property rights and low returns), and are neglected by public policies (Marx et al. 2013). But poverty traps can also have monetary causes, which are often neglected but which are very stark in the case of slums. In terms of economic relations, slums are almost exclusively dependant on imports for their consumption (merely nothing is produced locally), and have only labour force to export (mostly as per day workers). Because this labour force hardly finds to be employed, while slum dwellers’ basic needs such as food still have to be satisfied, there is a tendency for imports to exceed exports, this imbalance generating a downward pressure on the amount of money available in the slum. These territories being heavily dependent on cash for their exchanges, development imbalances make money to systematically flow out of these areas. Moreover, influx of money (through wages) are correlated with the business cycle, while outflows of money (through consumption) remain relatively constant - until they get constrained due to the low availability of money following downturns. This produces hysteresis effects on the amount of money available in the slum over time. Combined with the high variability of the local markets (which have weekly, monthly, and yearly patterns, and which are also affected by seasons, religious events or the scholar calendar), these factors generate times of chronic lack of medium of exchange during which monetary poverty precludes exchanges, thus making basic needs challenging to satisfy. At the same time, goods and services may still be available. This situation is partly addressed by informal debt: local shops extend more and more credit throughout the month, this credit being cleared at the end of it when the fraction of the population which is employed receives its salary. Consumption also peaks at the same date due to this influx of money, before to quickly go back to a low equilibrium.

It is in this context that Kenyan community currencies have been developed and implemented. Five of them are currently circulating in Kenya, all in slum areas. Their main aims are (1) to foster trade by complementing the national currency when this one is lacking, thereof bridging unused resources with unmet demand; and (2) to stabilize the local economic activity by acting as a counter-cyclical buffer. During downturns, the community currency allows the little amount of available national currency to circulate by letting its users to “top-up” what they have in Kenyan Shillings, making them able to pay the price of what they want to buy. So the use of the community currency should be inversely correlated with the amount of Kenya shillings available. These 5 community currencies are operating on the same model, the one of the “Bangla-Pesa” (“Bangla” standing for “Bangladesh” – the name of the community where it has been implemented, and “Pesa” meaning “money” in Kiswahili). The Bangla-Pesa has been launched in 2013, then replicated in the four other locations.

These projects are implemented by the Kenyan based organisation “Grassroots Economics Foundation”. It provides training on the use of the community currencies, the paper notes designed for each community, as well as support and monitoring after the launch. Prior to the introduction of the currency, different activities are organised within the communities in order to sensitize about the potentials of the tool, and to give a clear understanding of it. For example, local businesses sketch a map of their reciprocal economic relations (in order to understand the structure of the local economy), and trading games using one or the two currencies are organised. The notes for the community currency are also collaboratively designed, for them to depict economic or social features of the community. These activities gather the different stakeholders of the project: business owners, schools teachers, community leaders, and representatives of existing groups. After this preliminary work, a constitution is debated and

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2 Kibera, Kawangware and Kangemi in Nairobi area; Bangladesh and Mikindani in Mombasa area. They have an average of 200 members each.
3 http://grassrootseconomics.org/
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adopted in order to rule the group, and a committee is formed. The constituting group registers
as a Community-Based Organisation, which gives it a legal independent existence under Kenyan
law, being managed by its own board. People willing to use the community currency are then
invited to become members of what is called a Business Network, as it gathers microenterprises
men and women from the local informal economy. They are typically single-person run
businesses, conducting activities such as selling raw food, water or charcoal, cooking,
handcrafting or repairing. In the case of Bangladesh, these businesses make an average monthly
profit of KSh 2,600 (€ 22). The group is open to any person living and conducting an economic
activity in the slum. But one can join only after he has been endorsed by four backers: other
community members assessing his integrity and formalizing their trust toward him. Once the
group is built up, the community currency is introduced to circulate among its members and
within the local area, where participating businesses are identified by signs informing that they
accept the community currency. Schools are also part of the network: they accept the community
currency for school and tuition fees, then spend it by buying from other members (to buy food
for students’ lunches or school supplies) or to give a salary complement to teachers.

The launch of the community currency is the occasion for a festive ceremony during
which each member is issued 400 Bangla-Pesa. The money supply therefore grows with the
number of members. These BP 400 are worth KSh 400, as the community currency is at par with
the national currency. This amount (about € 3.5) is equal to the average daily food budget of one
household. From these BP 400, only 200 are actually given to each member, and the remaining
200 go to a community fund: a financing facility which will be used for the implementation of
social or environmental projects. The fund being meant to be spent within the year, all the funds
are eventually put into circulation. This total of BP 400 gives each member access to goods and
services from the rest of the network for this same value. At the same time, each member is
committed to accept the complementary currency as much as he uses it, by providing his own
goods and services to the rest of the community. Each member has therefore to keep a relatively
constant balance of community currency in order to allow it to circulate: one should not spend
without accepting it back, or accumulating it without spending.

II. THE BANGLA-PESA AS A COMMON RESOURCE

Traditional commons usually aim at limiting the access to and the use of a resource, in
order to ensure its long term sustainability. For what would be a monetary common though,
access and use would be encouraged.

To analyse the community currency, we have first to turn to its issuance mechanism. The
one of the Bangla-Pesa differs from most of other existing complementary currencies, which
makes it particularly interesting from a monetary point of view. Local currencies usually get their
acceptability because of their full backing with national currencies, making them exchangeable. In
the Brazilian case for example, as stated by the manager of a community development bank:
“There’s very good acceptance of social currency in the community. Why? Because the social
currency is guaranteed, there’s a fund behind it.” (Diniz et al. 2016). The consequence being that
people wishing to use this type of local currencies have to convert some amount of national
currency, alternatively the issuing organisation has to mobilize external resources to be able to
issue the local currency. In the Kenyan case, community currencies are not backed by any
amount of national currency, nor are they exchangeable for Kenyan shillings. The community
currency, once issued, can only be spent to get goods and services from other members, and the
circulation takes place with the members’ acceptance of the community currency for their own
goods and services. So the Bangla Pesa is only backed by the resources of the community, by the
commitment of the business network members to use it as a medium of exchange for trading
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among them. The Bangla-Pesa gives us to witness the issuance of paper vouchers becoming money only through the commitment of the members to use it as money. This is money creation in its stricter sense. If we mobilise Ostrom (1990) terminology, the resource system is indeed a stock, but is a dynamic one, while the resource units enter circulation as the number of appropriators grows. So the appropriation of a monetary common pool resource does not withdraw resource units, but actually generates extra ones.

What backs the currency here is a particular form of capital: social capital in the form of trust. It is the trust shared by members of the community of payment that this paper can be accepted to get goods and services from others – the trust that this paper can act as money – which actually turns it into money. Three dimensions of trust can be highlighted, following the intuitionalist approach to money (Aglietta & Orléan 2002): ethical trust, hierarchical trust, and methodical trust. Ethical trust derives from the values, norms and rules attached to any currency. Here, it is the community development project shared by members which generates collective involvement and favours this form of trust; as well as the acceptance of the issuance regime (equal allocation to each person), perceived as fair. Hierarchical trust comes from the authority of the issuing body. Here, the role of the committee is critical in acting as guardian of the values and rules we just emphasized. The perceptions of the implementing organisation can also affect this form of trust. Finally, methodical trust comes from the routine use of a currency: by using it without friction and knowing that others will accept it today and tomorrow. These three forms of trust act successively, one not excluding the others, to transform this vouchers into a monetary object. The generated trust serves as an immaterial capital, here mobilised to back the community currency. The group issues itself its own medium of exchange on the basis of its own resources, these resources being in turn more effectively used.

As a result of the effective circulation of the community currency is the additional liquidity provided to the local economy. Local effective demand is increased despite adverse external market dynamics. This liquidity comes from the mutual indebtedness of all members toward each other, as the community currency creates a web of debts throughout the community. Someone having a low balance is debtor and has to provide his own goods and services and accept the community currency for it. Conversely, someone having a high balance has a claim on the goods and services of other members. The community currency can only circulate if these debts are settled as well as renewed over time. Thus it is a principle of reciprocity (Polanyi 1944) which is the basis of this monetary circulation, allowed by the complementarity and the voluntary interdependence of members. Those who experience benefits from the community currency often describe the exchanges as “fair” as others will accept the community currency as much as they themselves do. It is this fairness which encourages members to accept the currency, because they know they will be able to spend it back. As such, the system “can be described as an uncollateralized or no-collateral, zero-interest loan given by the CC trading community with mutual backing among members.” (Ruddick 2015) It is in that sense close to LETS (local exchange trading systems), being based on mutual credit, though using a manual means of payment.

The extension of this monetary construction is the community fund, which adds another important collective dimension. If the community currency is issued on an individual basis (each time one joins the group), each member actually receives only half of the amount issued for him. In fact, the member is given the full amount, but he has to dispose of half of it by contributing to the community fund with the other half. This act takes place during the launch of the community currency (or its yearly renewal). The concrete realization of this contribution is intended to materialize everyone’s participation to this financing capacity generated by the community. The funds are then used for the execution of projects of general interest, such as trash collections or

4 Or “trust”, “credibility” and “confidence” respectively.
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Sport events. Expenses for these projects are paid using the community currency, and participating people are remunerated by the same means. Once spent, those funds reach the normal circulation and serve exchanges. But during the yearly renewal, each member has to contribute once again 200 to the community fund, meaning that half of the money in circulation is pooled anew every year, thereby replenishing the community fund.

The group is also the place for savings activities. Many different forms of savings groups (“chamas” in Kiswahili) exist in Kenya. They most often form on the bases of some kind of interdependence of its members: people save together because they are from the same family, are neighbours, have the same occupation, or have a shared economic project. In the case of the Bangladesh Business Network, the interdependence of its members comes first of all from the use of the community currency. This interdependence is upheld by the pooling of their savings, which are in turn lent to other members. The interests paid on loans grow the funds available for lending: they benefit the group as a whole. The collected savings, deposited at the bank, can also be used as collateral to access larger formal loans from financial institutions. This pooling allows the group a better access to credit, thus participating in financial inclusion, not on a personal basis but on a collective one. Liabilities are shared among members, the group constitution stating that members have to “Be ready to […] guarantee other members for loans”.

The congruence between appropriation and provision rules and local conditions is ensured via the tailoring of the projects by implementing communities, who custom it at their will. The democratic operations of the group and its open governance bring collective choice arrangements allowing members to decide over operational rules. In the case of the Bangla-Pesa, the formation of the group starts with the adoption of its constitution, which details its operating rules, and by which each member has to abide. The constitution is collectively debated in the early stage of the project implementation: for example in the case of Bangladesh, discussions led to include dimensions of tribal equity among board members. The group is led by an elected committee, in charge of the organisation of group activities and members meetings, as well as of general administration of the organisation and financial management of the bank account (used for operations in Kenya shillings). It is also responsible for the issuance of the community currency: board members keep the reserves and allocate new members, and for particular circumstances (theft or destruction for example) may reissue some amount for existing members. All are invited to regular group meetings, during which are especially decided the activities to conduct using the community fund. These democratic operations participate in the building of a common institution, in which each member should be able to express his voice and be a stakeholder in the project.

In case one violates the operational rules, the backers system is activated to act as a gradual sanctions mechanism. In case the commitment to make the community currency to circulate is breached by one the members (in particular if one uses all its community currency without accepting it back), his backers have to substitute to him. They have to accept the community currency up to the initial balance of the defecting member, by providing their own goods and services. If not, sanctions can be decided by the committee: “Backing group members are responsible for ensuring that each member follows the Operating Rules of the Network. Failure to do so will result in suspension and termination of the entire group.” (BBN constitution). However, this should only be a last resort mechanism as cooperative solutions are sought in case one of the members is not able to trade properly. The implementing organisation’s field officers or the CBO board members first try to understand what the cause of the difficulties is, and then look for solutions. They are mostly to be looked for in a better integration of the considered member to the exchange network: this can be done by introducing him to other nearby members, or by connecting him to particular members depending on his trading needs (for example in terms of suppliers). Chances are high that one does not accept the community currency because he does not know where to spend it yet. It is this gradually built inter-
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dependence among the members which allows the community currency to circulate the most effectively. Each member has to be properly integrated in the exchange network, otherwise constituting a weakness point impacting the all of it, thus impeding the monetary circulation. This “knitting” of the local economy is essential, and at the same time fostering the social capital on the bases of which the community currency is able to circulate. General meetings, where issues are discussed and addressed, also offer a potential conflict resolution mechanism.

III. RELEVANCE AND IMPLICATIONS OF MONETARY COMMONS

The Bangla-Pesa has brought tangible benefits to its users. First, the additional liquidity provided by the community currency helps for exchanges and the satisfaction of basic needs, especially in times of monetary scarcity regarding the national currency. The Bangla-Pesa is often described as the “money which allows you to not go to bed hungry”. As stated by one of its members, the Bangla-Pesa is “a backup currency used when we are stuck because of the lack of Kenyan Shillings”. Though developed to “top-up” the national currency, in some cases the community currency can even be used for the total price of an exchange. This extra liquidity should in turn have beneficial effects on the local economy. An impact evaluation conducted following the Bangla-Pesa introduction suggests that it increased businesses revenues by an average 22% (Ruddick et al. 2015). Besides consumption, the community currency also helps with school fees: parents can pay part of it using Bangla-Pesa, and more children are able to attend as parents do not have to withdraw them from school as soon as they don’t have enough of the national currency. The community currency also supports its users to save the national currency: as they do not have to use all of it to buy first necessity goods such as food, they can reallocate some of it to other uses, primarily investing in the microenterprise. Indeed, the first benefit expressed by users is that they are able to save more Kenya shillings. As another socio-economic impact, the community fund allows to conduct general interest activities which would not have been realised without it. Finally, the building of a group dynamic is itself beneficial to any development path and participates in itself in collective empowerment. Illustrating this, members describe the Bangla-Pesa less as a currency, but more as a group. As stated by its constitution, the mission of the BBN is “To be a network of businesses for mutual support and business driven community development.”, the community currency coming as a means to that end. Not only trust is the foundation of the community currency, as described above, but the later also foster the former: field surveys suggest that the level of community trust is positively correlated with the community currency usage (Ruddick 2015).

As discussed above, the Bangla-Pesa can be analysed as a monetary common. For this particular type of CPR, it is the successful institutionalisation of the common which generates the monetary resource, especially through the trust building process taking place around it. It is this trust, if shared by the payment community having monetary autonomy, which allows it to create money based on collective decisions. As long as newly created money meets economic needs, that it brings into circulation newly created wealth, and that issuing rules are acknowledged by all members, then this money creation is sustainable. In the case of the BBN, the constitution states that “The amount of Bangla-Pesa in circulation shall never be more than the BBN members' ability to redeem its value in goods and services on a regular basis.” So if commonly managed, money creation can be mobilised to serve endogenous local development. Here, development financing does not rely on the mobilisation of exogenous financial resources, but is realised through the recognition of inter-personal credit relations and the activation of the community’s own resources. Community currencies bring an alternative to the strictly financial approach to development financing.
Community currencies also offer a welcomed counterpoint to the current market-led financial inclusion agenda (Doligez et al. 2016). They are locally developed and adapted systems, maximising their potential appropriation, and they allow for collective dynamics which can be the basis for the development of a cooperative economy. At the other end of the monetary innovation spectrum, mobile money systems such as M-Pesa in Kenya would be their counterpart. Mobile money services are commercial services, mostly provided by private telecom companies\(^5\), and their use implies fees even for transaction purposes, contradicting with the public good nature of money. If financial services can benefit the poor, the past invites to be prudent towards relying on a pure market approach (Bateman 2010; Guérin et al. 2015). It is the push for the commercialisation of microfinance which was largely responsible for its mission drift (Servet 2015b). Inversely, a common governance structure ensures that the interests of all stakeholders are equally considered. This should be kept in mind for the future of financial services, community currencies showing how the poor can participate in the implementation of the services they will use. Moreover, an approach in terms of standardised services will not be able to address localised and multiform development stakes. Conversely, commons can only be grounded in their particular socio-economic context, in turn potentially addressing more effectively the needs of the communities where they are established. So building monetary and/or financial commons have the potential to: generate schemes adapted to the plurality of needs and contexts; with governance mechanisms maximising the reach of their socio-economic aims; supporting innovation whether technological or social; being in themselves a vector of development through building and maintaining the institution inherent to any common.

Community currencies are of course not a unique solution, one of the limits of the Bangla-Pesa model being its inability to support investment (except through the extra savings it allows to its users). To increase their impact, these schemes should be integrated in broader policies, giving them more opportunities and resources, the policies implemented benefiting from their leverage effect at the same time. Unfortunately, the rights to organize of these communities have not been really recognised, as external government authorities have been challenging the implementation of these projects in the past. After the first launch of the Bangla-Pesa, six people involved in the project were arrested and taken to court facing accusation of forgery. The case was finally dropped and the project allowed to continue. Yet, these projects did not receive any official support and evolved independently of any discussions with government bodies. Community currencies would gain scale from being integrated with local government policies, for example via local taxes. The foundation of a form of monetary subsidiarity (Fare 2013) potentially conciliating the different scales of development.

**CONCLUSION**

By studying the example of Kenyan community currencies, we introduced the possibility of conceptualising monetary commons for social groups having monetary autonomy. Not only community currencies serve local development from an economic point of view, providing extra liquidity and helping in its financing, but also foster development in the multiple dimensions of the concept, because they tend to be common resources. Money differs from other kinds of resources, as being greatly dependant on trust. If trust can be difficult to initiate and challenging to maintain, once it’s established it can sustain the generation of a monetary resource, then serving endogenous development.

\(^5\) In Kenya, M-Pesa is operated by Safaricom, which has a 76,9 % market share for mobile money transfers, making it prone to “monopolistic tendencies” (Nairobi Law Monthly 2016).
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Acknowledging the pitfalls of both strictly public or purely private finance, as well as the “limits of grand schemes” (Currie-Alder et al. 2014), building localised monetary and/or financial commons could be an effective way to foster inclusive development. Future researches should focus on the conditions for the sustainable management of monetary commons, and in the ways they should be coupled with other tools, as it is in this coupling that lies most of their potential.
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